



Texas Wine
Delights
More Than
the Palate

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Evolved Into
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FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts, October 2008

SEPTEMBER REVENUE (IN MILLIONS): SALES TAX: \$1,687.5 OIL PRODUCTION: \$143.4 NATURAL GAS: \$326.2 MOTOR FUELS: \$255.5 MOTOR VEHICLE SALES: \$260.8 TOBACCO: \$132.7

A Word From the Comptroller

As the state's chief tax collector, accountant, revenue estimator and treasurer, the Texas Comptroller's office manages the multi-billion dollar business of state government. We track a variety of economic indicators that reflect the health of the Texas economy. I think it's important, particularly in these tumultuous economic times, to share these numbers with all Texans.

Although our Texas real estate market remains strong, sales activity has begun to soften, though not as sharply as experienced in other regions of the country. We expect the growth rate for Texas taxable property value to moderate to 8.84 percent in tax year 2008, decelerating even further to 4.96 percent in 2009.

In light of the volatile events that our nation is currently experiencing in the finance, credit and national real estate markets, due diligence dictates that the current estimates — especially for 2009 — must be taken with considerable caution. This forecast could change significantly. As required by law, I shall provide an updated forecast of 2008 and 2009 taxable property value growth to the Texas Legislature by March 1, 2009.

I will continue to monitor the health of the Texas economy to ensure lawmakers' deliberations are based on the most accurate and timely information available.

Susan Combs

- Susan Combs

Restaurants Rev Up

Texas eateries gobble up sales and bite into higher costs.

Texas restaurants are cooking despite a slowing national economy. Just ask Russell Ybarra, president and CEO of Houston-based Gringo's Mexican Kitchen, who says sales are on the rise at his chain of seven casual dining restaurants in Houston and San Antonio.

"For the most part, our same-store sales have increased slightly over the last year," he says.

Sales at Texas restaurants in 2008 are on track to surpass those of 2007 and ring up \$33 billion, according to the Texas Restaurant Association (TRA). With more than 33,000 eating and drinking establishments in Texas, restaurants continue to add jobs and are a vital part of the state's economy. In 2007, the Texas restaurant industry employed an estimated 939,800 workers. That number is expected to grow 23 percent by 2017, when the industry will employ an estimated 1.15 million Texans.

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Photo courtesy of Kevin Marple

No Sour Grapes Here

Texas Wine Industry Blossoms

When people ask Ed Auler why he got into the wine business, he gives them a three-word answer: “low cattle prices.” But what started as an interest in diversifying his ranching business ended with him becoming one of the founders of a modern Texas industry.

Wine has a long history in Texas — very long, dating back to the late seventeenth century, with vines planted at the Ysleta mission near present-day El Paso. For the next two centuries, European settlers planted grapes, often beginning with varieties from home but switching to hardier native plants.

But Prohibition wiped out all but one Texas winery, and wine and wine grape production didn’t return until the 1970s.

Today, however, the state’s wine industry is booming, and Auler’s Fall Creek Vineyards is one of the jewels of the Texas Hill Country.

The Wine Boom

In the past three decades, Texas has risen to become the nation’s fifth-largest wine producer, behind California, New York, Washington and Oregon.

In all, the state has about 220 family-owned vineyards covering 3,700 acres. These lands produce an average annual harvest of 11,100 tons of grapes worth \$10.6 million — all of it devoted to wine.

Nothing illustrates the boom in Texas wine quite as well as the rapid growth in the

number of wineries established here. The Texas Wine and Grape Growers Association (TWGGA) reports that the state now has 163 wineries, and that more than half of them (85) have been established since 2004.

And this growth has been a boon for communities throughout the state. According to TWGGA, the industry contributes more than \$1 billion annually to the Texas economy, including about 8,000 jobs contributing yearly wages of about \$234.6 million.

From Cows to Cuvées

Poor returns on cattle in the early 1970s prompted Auler to begin “looking for something else to do, not in lieu of livestock, but in addition,” he says. “We thought about peaches, pecans and apples.

“Until a trip to France in ‘73, I frankly didn’t know anything about wine,” says Auler. “We’d been crossbreeding our Angus cattle with some French cattle, and I went over to look at some of them first hand. My wife wanted to take a wine tour. We spent three days on French cattle ranches and three weeks in French chateaus, and fell in love with wine. From that point on, I’ve been a wine aficionado.”

Auler first planted grapes on his land near Tow in 1975, and opened Fall Creek Vineyards in 1979. Today, it’s the state’s third-oldest and third-largest winery, and the largest in the Hill Country, which has emerged as the state’s premier wine region.

Wet/Dry No More

Auler was a pioneer of Texas wine — and, until recently, a fairly lonely one. As late as 1995, Texas had just 30 wineries. A few years later, however, the Texas Legislature gave Texas winemakers a big hand up, with legislation many credit with kick-starting the state’s wine boom.

Before 2001, winemakers could not sell wine directly to customers if their places of business were situated in dry counties, as many were. In that year, state law began allowing Texas wineries to sell wine from their own tasting rooms and to ship wine anywhere in the state, regardless of the wet/dry status of their home counties.

“The tasting room is a very important part of our operation,” Auler says. “A lot of [the smaller wineries], though, that’s the only place they sell.”

Grape Vacations

Those tasting rooms benefit greatly from the increasing popularity of wine tourism. TWGGA estimates that 869,000 tourists visit Texas wineries each year, spending nearly \$222 million.

Many local wineries host food and wine classes to attract visitors, and some have banded together to increase their tourist draw. The Hill Country Wine Trail, for instance, involves 22 wineries (including Fall Creek) that offer visitors



Ed and Susan Auler of
Auler's Fall Creek Vineyard

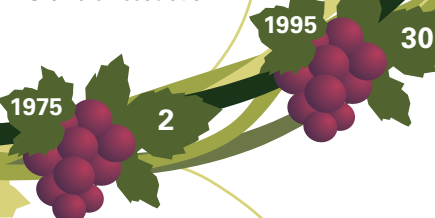
Photo courtesy of Auler's Fall Creek Vineyard

Exponential Growth

Since 1975, the number of commercial wineries in Texas has risen by a staggering 8,050 percent.

Number of Texas Wineries 1975-2008

Source: WineAmerica and the Texas Wine and Grape Growers Association



special events and incentives. In 2007, the online travel company Orbitz ranked the Hill Country second among U.S. wine tourism destinations in terms of its growth in travel bookings, behind only California's Napa Valley.

Wine tourism "is very positive for us, obviously," says Auler. "For the smaller wineries, it's their lifeblood in terms of sales, and for the larger ones it's very beneficial. You hope you create a customer who will go find your wine in the store or their favorite restaurant."

Critical Mass

The expansion of Texas winemaking has brought the kind of support structures that producers need to succeed.

"We're getting to be a more serious industry by the day," Auler says.

"One of our difficulties when we first started out was the cost of freight, because if we bought a wine barrel or a wine tank or a wine anything, the closest we were going to get it was California. And if we bought it from Europe, the freight charges were just off the charts."

Today, however, suppliers to the industry call regularly, and some are opening regional offices. Supplies such as cork and labels and trellis posts have become more readily available.

"Now we're getting bottles from Monterrey, Mexico, which is a huge help. And I look forward to the day when we have oak barrel makers here, and I don't think it's too far down the road," says Auler.

Living History in Del Rio

Val Verde Winery, established in 1883, is Texas' oldest continuously operating winery and vineyard and, indeed, one of the oldest in the nation. Founded in 1883 by Italian immigrant Frank Qualia, Val Verde is still owned and operated by his descendants.

During the dry years of Prohibition, Val Verde remained open, converting its operations to the production of table grapes. Winemaking resumed after Repeal. From the late 1950s until the 1970s, Val Verde Winery was the state's only winemaker, and it continues production today, with a variety of reds and whites as well as an award-winning port. Now in its 125th year, the winery can be toured each week from Monday through Saturday.

For more information on Val Verde Winery, visit www.valverdewinery.com.

Texas Wine, Texas Weather

Despite a growing national reputation, most Texas wines are consumed here. According to Texas Tech's Texas Wine Marketing Research Institute, 95 percent of all Texas wine sold in 2006 was purchased within the state.

"We have some distribution outside Texas, but it's rather small," Auler says. "We haven't really saturated the state yet. We need more volume, and the biggest impediment to that is the inconsistency of Texas weather."

"We and others have proven that we've got some wonderful soils for growing grapes, and wonderful climates, but the weather's erratic," he says. "It can be our best friend or our worst enemy."

"We came out pretty good this year," Auler says. "But 2006 and 2007 were very difficult years for us — and everybody else in the state. We had late freezes, hailstorms, untimely rains and floods before harvest. Last year, the Hill Country got three times its normal annual rainfall in just 60 days, and part of that was at harvest time."

"When we've got the volume of wine to go out of state, I think we will," says Auler. "But it won't happen overnight. We need a few more good years under our belt, and some more vineyards going into the ground."

For more information on Texas wine and winemakers, visit www.texaswine.com. To learn more about Fall Creek Vineyards, visit www.fcv.com.

Did you know?

A Texas horticulturalist once saved French vineyards from saying "Au revoir." Read about it at www.fiscalnotes.com.

Get Smart on Wine Online

Texas Hill Country Wine Trail
www.texaswinetrail.com

Texas Wine Marketing Research Institute
www.depts.ttu.edu/hs/texaswine

National Association of American Wineries
www.wineamerica.org

Texas Wine Marketing Assistance Program
www.gotexanwine.org



The Evolution of Fine Dining in Texas

There's more to Texas than just barbecue.

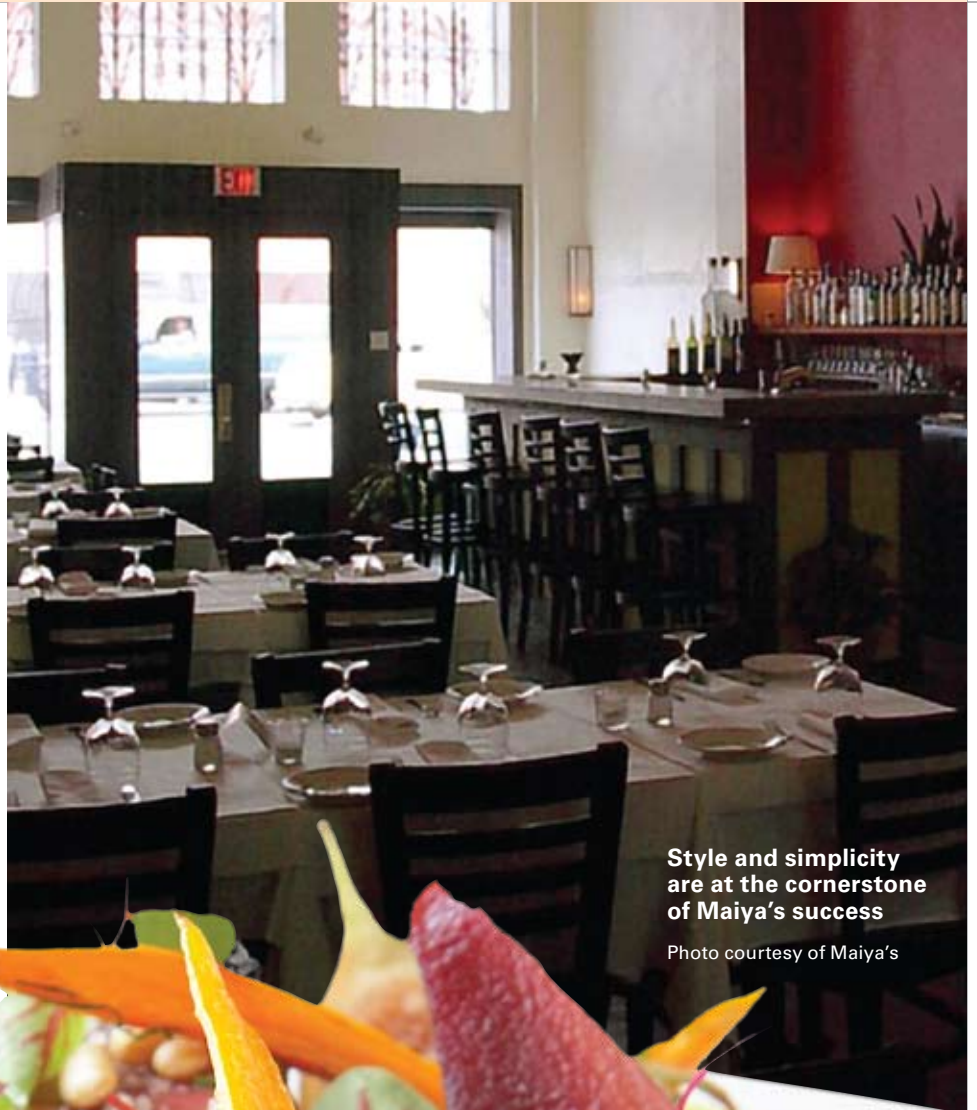
The stereotype goes something like this: Texas cuisine is rooted in little more than meats cooked with smoke, usually in a steel pit, almost always outdoors. (Any self-respecting Texan should now pause and smile with pride.)

But our culinary traditions and tastes have greatly evolved alongside our economic prosperity over the last century and a half. As our economic opportunities grow, so does the sophistication of our tastes.

Texas is strong in attracting businesses and workers from around the world, so it's natural that our cuisine would reflect traditions beyond just our own.

If food is our culture, then we are no longer limited to being home to just the finest barbecue in the world, or side dishes that are, for all practical purposes, so comforting they remind us of a childhood blanket.

The Texas restaurant market has done well in recent years. *Star Chefs*, a leading culinary magazine, published a survey in May 2008 that examined how Americans' restaurant spending habits had been affected by the slowing national economy. Nationally, 57 percent of owners said business was down by 10 percent. The news was brighter in Texas, where just 47 percent reported the same downturn.



Style and simplicity are at the cornerstone of Maiya's success

Photo courtesy of Maiya's

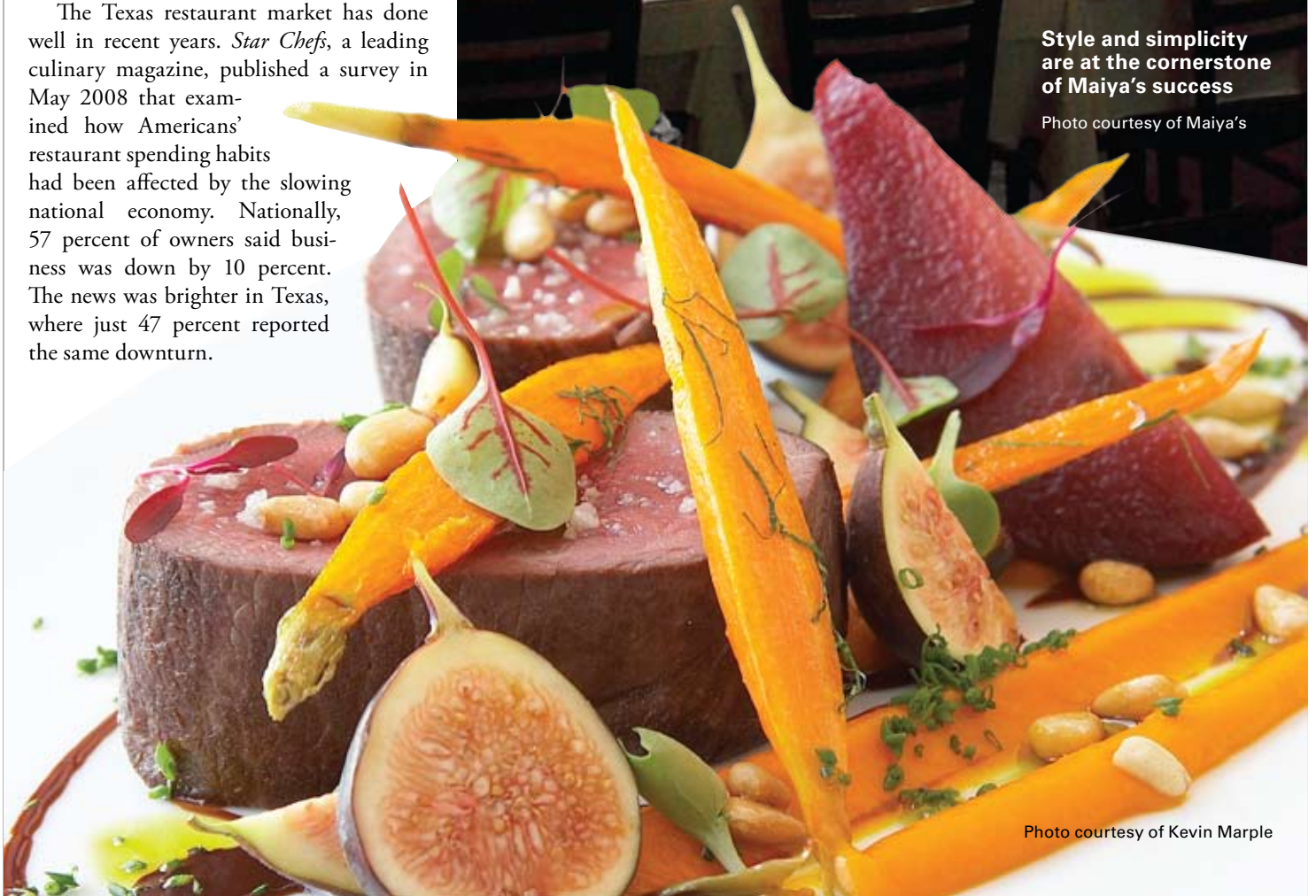


Photo courtesy of Kevin Marple

Upscale dining establishments, loosely defined by the industry as those places where the average price of an entrée is \$15 and up, remain big business in Texas.

“Our culinary landscape has changed 1,000 percent in the last 30 years,” says Patricia Sharpe, a food critic whose reviews and analysis of Texas restaurants have appeared in the pages of *Texas Monthly* for more than 30 years. “Fine dining used to be hotel cuisine. It was much more Anglo and old-fashioned Tex-Mex. The ethnic cuisines wouldn’t be there.”

But beginning in the 1970s, the Culinary Institute of America and other leading schools developed visions of becoming less focused on being just a place where chefs would learn their chops and began to evolve into advanced academies of culinary design and sciences.

Many of those chefs, Sharpe says, would find their way to Texas to meet success with a growing population of diners seeking something beyond the ordinary. Because of Texas’ strong economy, it remains a desirable location for some of the nation’s top



“The biggest mistake people make is coming into this business liking the idea of being a restaurant owner, but not really understanding what it means to be one.”

— Maiya Keck, owner of Maiya’s restaurant in Marfa

chefs, such as Dean Fearing of the always-elegant Fearing’s in Dallas, and Maiya Keck of Maiya’s in Marfa. Fusion cuisine, which combines elements from different culinary styles, became the norm rather than the exception in many parts of the state.

“Generally, the best opportunities for upscale restaurateurs are those places with the most disposable income,” Sharpe says. “Texas has three very large cities that help maintain demand, and cultural and tourist centers like Marfa, which has tremendous caché and panache, are helping drive some of those opportunities out into unsuspecting places across the state.”

Creativity Drives Success

Maiya Keck opened Maiya’s seven years ago on not much more than a hunch that Marfa’s resident artists, writers and tourists would provide demand for upscale dining. Many were surprised when she decided to develop an upscale concept so far from the state’s urban centers.

“I did this without investors and not much capital,” she says. “My plan had to work. I kept it on a small scale. What happened was people were delighted and grateful. They saw the work I was putting into this and they were appreciative.”

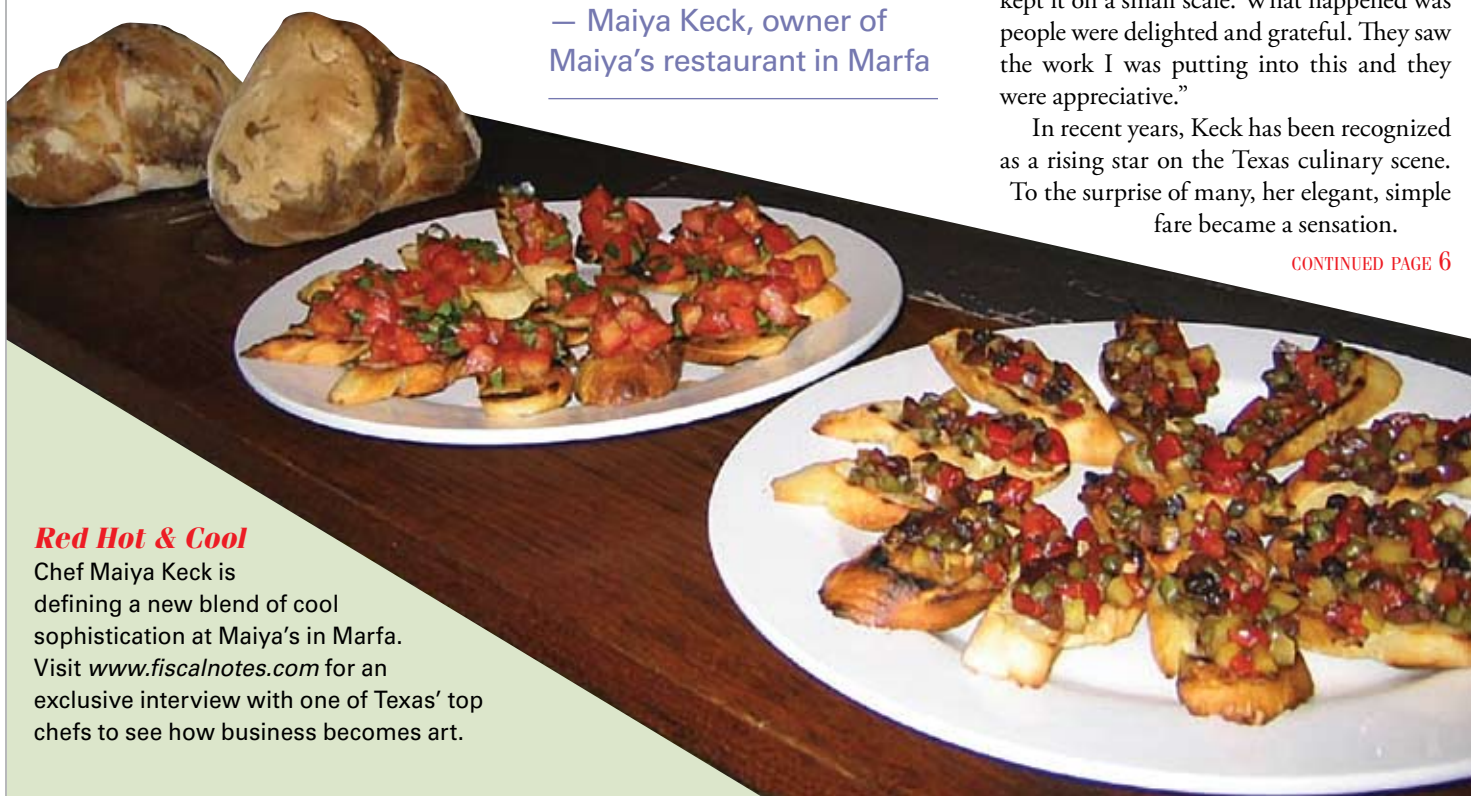
In recent years, Keck has been recognized as a rising star on the Texas culinary scene.

To the surprise of many, her elegant, simple fare became a sensation.

CONTINUED PAGE 6

Red Hot & Cool

Chef Maiya Keck is defining a new blend of cool sophistication at Maiya’s in Marfa. Visit www.fiscalnotes.com for an exclusive interview with one of Texas’ top chefs to see how business becomes art.



CONTINUED FROM PAGE 5

The Evolution of Fine Dining in Texas

"People in this area are genuinely independent and creative spirits," says Keck, who studied painting at the Rhode Island School of Design before moving to West Texas in the 1990s. "It's part of the ranching lifestyle. Every day is a challenge. That's something many artists identify with. I'm attracted to the feeling you can do whatever you want here."

Fine Dining in a Downturn

Keck's creative approach has been helpful, especially during economic downturns. Restaurants continue to be a competitive business in Texas. Many fail within a short time of opening. But such challenges haven't caught Keck off guard. It was two years before the restaurant achieved true stability, and during that time she worked diligently on a razor-thin budget.

"We're in a remote area, so we've always dealt with limitations," she says. "We've had to be creative. To get goods in a timely fashion is difficult. It requires creative ordering and a lot of preplanning and creativity. As a result, we're flexible in this economy. The cost of shipping is always a challenge, and for many people, eating out is becoming a luxury, but that's something we deal with."

And she's dealt with it remarkably well. Tradition told Keck that Maiya's needed aggressive public relations and marketing strategies. Virtually all big city restaurants pour thousands of dollars into

perfectly crafting the community's perception of their concept. Not long after opening, however, Keck called off her traditional means of advertising and routed those funds into the community, supporting several causes and athletic teams.

"In our area, word of mouth is very important," Keck says. "This type of giving not only goes a long way in supporting causes we believe in, but it's also a creative way to let people know we support our community and the people in it while still spreading word about what we're doing." **FN**

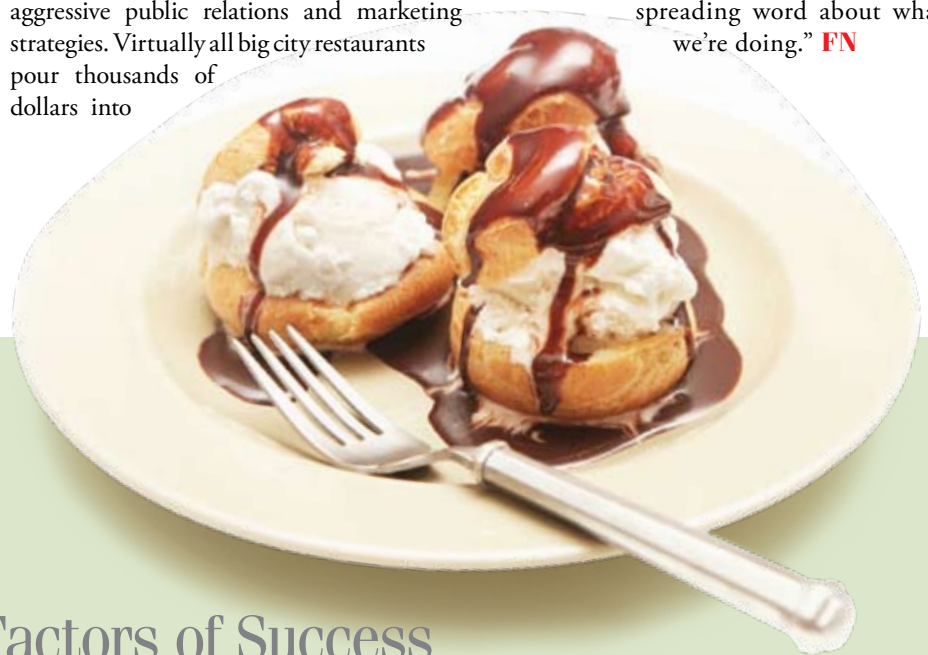


Photo courtesy of *Texas Monthly*

Factors of Success

Longtime *Texas Monthly* food critic Patricia Sharpe has an idea what it takes to make an upscale restaurant succeed in Texas. She's traveled the state endlessly in search of the finest of Parmesan polenta, handmade dolmades and pumpkin seed pasta. We asked Sharpe what fuels success for Texas' top dining spots:

"Location, location, location."

Practical factors like adequate parking make a huge difference. Also, being close to other restaurants where people are used to dining plays a major role.

Follow the trends ...

It's important for a restaurant to match the concept to its audience. In a way, that's obvious, but it's often overlooked. What demographic are you going to draw from? Local dining, which is not necessarily a trend but more of a philosophy, is big now. And with the exception of Mexican, Mediterranean is the dominant cuisine in Texas now.

... but not too closely.

While we generally follow national dining trends, many concepts never take. The raw food movement, for example, has never caught on in Texas.

Consistency

Diners expect their experience to be the same on each visit. If the preparation of a menu item has changed, or there's some other inconsistency, many people will immediately turn away.

It's Your Money

Texas has \$1.8 billion in unclaimed property, and some could be yours.

When Texas resident Jim Triplett discovered that forgotten insurance dividends from his father's 56-year-old policy had been sent to the state's unclaimed property, he contacted the Comptroller's office to reclaim it. Triplett then began the process of recovering about \$1,800 that had accumulated since his father's death in 2000.

This is just one example of how the Comptroller's Unclaimed Property Program reunites people with forgotten property and cash.

The Dollars Add Up

Since 1961, state law has required the agency to hold abandoned and unclaimed property reported by businesses and financial institutions until the owners or their legal heirs claim it. Unclaimed property can take many forms, including utility deposits, payroll checks, dividends, stocks, safe deposit box contents and trust funds. In fiscal 2008, the agency returned \$120 million to its owners.

"On a national basis, I have heard statistics that indicate as many as one out of eight individuals has unclaimed property," says George Tamayo of the Comptroller's office. "So when you think that you couldn't possibly have unclaimed property just remember this statistic, and don't be surprised if a quick

check of our unclaimed property database pays dividends for you or one of your family members."

There is no time limit to claim property, which can range from less than \$1 to more than \$1 million.

Making Your Claim

The Unclaimed Property Division uses various reminders to encourage people to identify and claim their property.

These include an annual newspaper insert listing potential owners, letters, phone calls and a booth at the Texas State Fair. This year's insert appeared on Oct. 19 in more than 30 papers statewide and listed more than 130,000 people with unclaimed property of \$250 or more.

Texans can also search for property and file a claim at anytime online. At www.ClaimItTexas.org, users can enter a name or business and city of residence to see if they, or someone they know, have unclaimed property. If the name and address match a former or present address, potential claimants simply select the claim type and download the appropriate forms. Depending on the dollar amount, claims can be approved in as little as 24 hours. It's never been easier for Texans to search for and claim their property. **FN**



Texas Unclaimed Property at a Glance

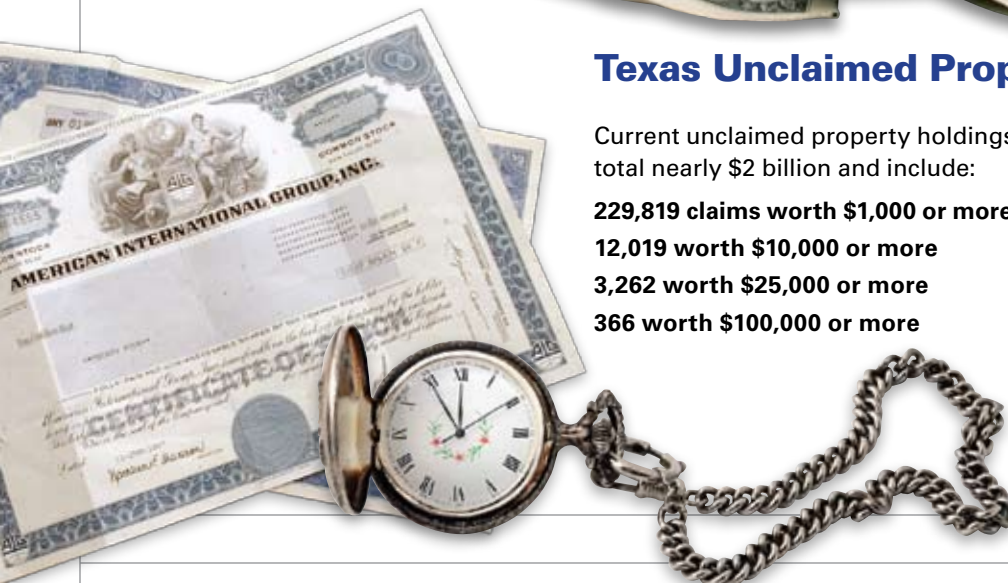
Current unclaimed property holdings total nearly \$2 billion and include:

229,819 claims worth \$1,000 or more
12,019 worth \$10,000 or more
3,262 worth \$25,000 or more
366 worth \$100,000 or more

In the past five years, the Comptroller's office has paid out the following claims:

63,752 claims for \$1,000 or more
6,844 for \$10,000 or more
2,531 for \$25,000 or more
399 for \$100,000 or more
Seven for \$1,000,000 or more

Source: Texas Comptroller of Public Accounts



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Restaurants Rev Up

Eating at Texas restaurants delivers a big economic punch. Every \$1 spent in Texas restaurants generates an additional \$1.52 in sales for other industries in the state, according to the TRA. Each additional \$1 million spent in eating and drinking places in Texas generates an additional 41.5 jobs in the state.

Nationally, restaurant industry sales are expected to reach \$558 billion, a 4.4 percent increase over 2007.

Egg Rolls to Enchiladas

The majority of Texas restaurants are clustered in the state's largest cities. Houston leads with 5,298 restaurants, followed by Dallas with 2,618 and San Antonio with 2,566. (See "Restaurant Cities" chart).

Topping the list of the most popular restaurants in Texas are those featuring American cuisine. American restaurants, which offer items ranging from chicken fried steak to meatloaf to roast, raked in \$3.8 billion in sales in 2005, according to the Texas Market Segmentation Report produced by the TRA and the Virtue Group. Mexican restaurants were the second most popular in Texas, ringing in \$3.5 billion in sales.

Mexican and Chinese restaurants are popular with Houston resident Elise Acuña, who says she, her husband Daniel and their 5-year-old daughter Angelina eat dinner out about three times a week.

"We primarily eat foods that we are unable to prepare at home," Acuña says. "We go out to eat Chinese, Mexican or Vietnamese a lot."

Rising Costs

Texas restaurants are experiencing challenges, however, primarily due to rising food and energy costs. Still, the industry continues to prosper as Texas restaurateurs adjust their business models in response.

Restaurant owners like Ybarra are seeing costs rise on everything from paper products to oil.

"The cost of tortilla chips we serve our guests has risen 28 percent in just the last year," Ybarra says. "The oil we prepare them in has also risen as much as 50 percent over the last year. Paper goods are up as much as 25 percent, depending on the item."

Dave Hermann co-owns The Range at Barton House in Salado with his wife, Katie. Hermann, who is also executive chef, says the Range's cuisine rivals that of any large city.

"We are being hit with surcharges on many of our deliveries, which in turn is forcing us to modify our purchasing practices and reduce the number of deliveries we accept," Hermann says.

"With the cost of goods increasing so rapidly, it reinforces the priority of cash flow management and forecasting. These factors can very easily cause a cash flow crunch."

Both Ybarra and Hermann say they are cutting costs in other areas to prevent having to raise prices.

"What we are trying to do in order to offset this trend is simply manage, manage, manage like never before," Ybarra says. "We are constantly evaluating all areas of our operation in order to eliminate unnecessary waste so that we can prevent having to raise menu prices. We've been very fortunate."

Elise Acuña says rising gas prices and other expenses have changed the way her family dines out.

"We're ordering in more," she says. "We're not in the car and not using our gas to get there."

"Also, before we go out to eat, we agree we're not going to order drinks. That would be either alcoholic drinks or sodas. That's one way we're trying to save. A few years ago it was about \$1 or \$1.25 to get an iced tea. The other day we went out and it was \$2.50. We're reading the menus more and paying a lot more attention to them. We're not getting the extras. No more appetizers, no more desserts."

Brown-Bagging It

Packed lunches are increasingly popular in the work place, according to market research firm the NPD Group. Weekday lunches carried from home reached a new high in 2007, increasing from 35 bagged lunches per capita in 2006 to 38 in 2007. That translates to 8.5 billion brown-bag lunches a year for U.S. adults.

Among consumers who typically visit restaurants for their weekday lunch, nearly half of survey respondents say they are visiting less often, a pattern that applies to quick-service and full-service restaurants. Brown-baggers cite financial concerns as the top reason for carrying their lunch from home more often, according to the NPD survey. They cited health and nutrition as



Source: 2005 Texas Market Segmentation Report produced by the Texas Restaurant Association and The Virtue Group

key reasons they are cutting back on lunch at fast-food restaurants.

Brown-bagging may be gaining in popularity as the costs of fast-food rises. Acuña says she has noticed that the price gap is narrowing between casual and fast-food restaurants.

“When we go out to a full-service restaurant, it averages around \$27 for two adult meals and a kid’s meal,” she says. “If we go to McDonald’s, it’s going to be about \$14 or \$15.”

Restaurant Night, at Home

In 2007, The Range restaurant owner Hermann and his wife launched a side business, Mealtime Mastered, catering to families who want to enjoy an economical, healthy, chef-designed meal at home.

Participants can sign up for a two-hour program, where under the direction of chefs they can prepare six complete meals for \$150 or 12 meals for \$275. Each meal provides four to six servings, and the average price is less than \$3.50 a person. Mealtime Mastered chefs assemble the ingredients, chop and prepare all items and do the clean-up.

“We try to make it a simple, easy 1-2 process that families can follow to get an economical meal on the table,” Hermann says. “We’ve been offering this program for a year and a half. It’s been very successful.”

In September, Ybarra opened a quick-casual restaurant concept called Bullritos in La Porte. The restaurant serves fresh burritos (Bullritos), tacos and margaritas. Guests can customize their Bullrito by placing orders at a counter using order bags to check off their choices from a variety of seasoned meats, fresh vegetables, beans, rice and cheeses.

“It’s to address the customer who still wants a restaurant-quality type product in a casual setting,” Ybarra says. **FN**

For more information on Texas restaurant trends, visit the Texas Restaurant Association at www.restaurantville.com.



Chefs Chime in on What’s Hot

Mini portions are hot with America’s top chefs.

Bite-sized desserts and small plates of hors d’oeuvres top the list of hot food trends nationwide, according to a 2007 survey of more than 1,200 members of the American Culinary Federation conducted by the National Restaurant Association in the second annual “What’s Hot ... What’s Not” survey.

For full survey results and other consumer and menu trends, visit the National Restaurant Association’s Web site at www.restaurant.org.

What’s Hot

	Percentage of chefs rating item as “hot”	Percentage of chefs rating item as “passe”
Bite-size desserts	83%	11%
Locally grown produce	81%	5%
Organic produce	75%	16%
Small plates/tapas	73%	20%
Specialty sandwiches	71%	14%
Craft/artisan/microbrew beer	70%	17%
Sustainable seafood	65%	21%
Grass-fed items	65%	26%
Energy drink cocktails	64%	31%
Salts (sea, smoked, colored, kosher)	64%	20%

What’s Not

	Percentage of chefs rating item as “hot”	Percentage of chefs rating item as “passe”
Soda/carbonated drinks	12%	46%
Vermouth	12%	55%
Grapes	14%	40%
Cakes/layered cakes	14%	45%
Deep-fried/pan fried	17%	44%
Cheesecake	18%	33%
Caesar salad entree	19%	30%
Rice	19%	26%
Kosher wine	20%	59%

Source: National Restaurant Association

Lone Star Favorites

Texas giants that sprang from simple ideas

Good food. It's one of life's simple pleasures and a topic Texans know plenty about. Texans cook up some of the best food around and, occasionally, come up with recipes that spread across the state and beyond.

Such was the case with two Texas food industry giants: Blue Bell Creameries and Whataburger restaurants. Both companies started with simple operations and trace their modern success back to humble, small-town beginnings.

Deep Roots

When Brenham's Blue Bell Creameries — originally the Brenham Creamery Company — opened in 1907, butter was the name of the game.

"We didn't start making ice cream until 1911, and even then it was a secondary product," says Bill Weiss, Blue Bell's public relations manager. "We could make two gallons a day."

More than a century later, 2,800 employees make it the third-best selling brand of ice cream in the nation, with an estimated \$400 million in annual sales.

But hard times early on nearly signaled the creamery's closure before refrigeration, trucks and E.F. Kruse's guidance — followed later by his sons — brought resurgence to the company and, ultimately, a focus on ice cream. In 1958, the creamery dropped butter from its Brenham production schedule and entered a very competitive ice cream market. In 1969, the company introduced its Homemade Vanilla flavor. Freezers in homes throughout Texas would never be the same.

"The goal was to make a product like the one you'd make at home on the front porch," says Weiss. "We took a chance on the product and it continues to be our No. 1 seller."



Better With Age

Whataburger has been selling made-to-order burgers for more than 50 years.

Year	System-wide sales
2007	\$1.1 billion
2006	\$.9 billion
2005	\$.8 billion
2004	\$.7 billion
2003	\$.7 billion

Source: Whataburger

Blue Bell's reputation spread quickly through Texas, and slowly through the 60s, 70s and 80s, so did its ice cream. In 1989, it began selling in Oklahoma, gradually marched through the South and is now sold in 17 states. Blue Bell's small-town Texas roots serve it well across its markets.

"I think there's a feeling for the most part that if it's from the country there in Texas, it's got to be good," says Weiss. "We feel like if

we can get them to try our ice cream, they'll like it and come back for more."

A Bigger, Better Burger

"What a burger!" It's what Harmon Dobson hoped customers would say after biting into his made-to-order hamburgers. Enough did, and Whataburger spread from its humble 1950 beginnings in Corpus Christi to a \$1 billion operation that employs 21,000 people at more than 700 restaurants.

"Whataburger was almost instantly successful in Corpus Christi because we were offering something that no other burger restaurants were: a five-inch, made-to-order burger," says Preston Atkinson, president and chief operating officer at Whataburger.

The line for Dobson's burgers soon stretched around the block. Within three years, five restaurants were open. Like Blue Bell, Whataburger's expansion has come at a slow and sensible pace.

"Our top priority as a company has always been consistently delivering the made-to-order food we're known for," says Atkinson. "We grow smart, not necessarily fast, so that all of our suppliers continue to deliver fresh products to our restaurants."

Whataburger's attention to detail and loyalty to tried-and-true recipes and suppliers make it a hit wherever a restaurant opens.

"Whataburger has an extremely loyal customer base," says Atkinson. "We hear from customers frequently about how they plan their vacations around the nearest Whataburger." **FN**

For more information on the history of each company, visit them online at www.bluebell.com or www.whataburger.com.



From Their Field to Your Table

Demand for locally grown produce boosts Texas farmers

Fresh produce from farmers' markets entices many people to introduce seasonal fruits and vegetables into their diet. Others make the trip to the market because they want to meet the grower. All these reasons drive demand for locally grown produce.

From the Ground Up

The number of Texas farmers' markets has increased steadily over the years. The state has 99 certified farmers' markets — those that meet specific Texas Department of Agriculture (TDA) criteria on governance and number of growers. Although that number is down from 110 in 2007, the overall trend is toward more certified farmers' markets, says Richard De Los Santos, TDA marketing coordinator for horticulture, produce and forestry.

"Four or five years ago there were about 88 certified markets," he says. "It's just been over the past three years that the number has grown to 100."

That growth in Texas echoes a nationwide surge, from 1,755 markets in 1994 to 4,385 in 2008, according to the U.S. Department of Agriculture (USDA).

TDA doesn't track revenue generated by farmers' markets, but the USDA estimates that nationally, these markets contribute more than \$1 billion annually to the nation's economy.

Rooted in Texas

Texas farmers' markets range in size from just a few vendors to hundreds. Many began as informal gatherings where growers would sell their crops to the surrounding community. One of the largest examples of this is the Dallas Farmers' Market. Its roots go back



Number of Operating U.S. Farmers' Markets

to the late 1800s as a collection of produce wagons. Now open 365 days a year, the market offers cooking classes, meeting facilities, flowers, meats and specialty items.

An estimated 1 million consumers visit each year, some in search of fresher produce with fewer miles traveled and more intense flavor, says Janel Leatherman, administrator of the market. But there are other benefits to buying local.

"Food safety is one of the big reasons people shop at farmers' markets," she says.

Risks are reduced significantly because it takes fewer steps to get the produce to the customer. If there were an outbreak, it would not be as widespread and easier to pinpoint the source.

"Also, nutritionally, people also tend to get more bang for their buck," she says.

To a Store Near You

H-E-B began organizing markets last year. During the summer months, the Texas-based grocer transforms part of the parking lot at selected locations and hosts produce vendors.

"It's a way to tell our customers 'know your farmers, know your food,'" says Cory Oliver, H-E-B produce business development manager.

Oliver says the markets, which can produce \$50,000 to \$60,000 in sales for the vendors, have been wildly popular. **FN**



Brief Bytes

UT Southwestern's Medical School Top for Hispanics

For the second year in a row, the University of Texas (UT) Southwestern Medical School has ranked as the nation's top medical school for Hispanics by *Hispanic Business* magazine.

UT Southwestern Medical School was followed by Stanford University School of Medicine and the University of

Miami Miller School of Medicine. Other Texas medical schools on the list include the UT Medical School at San Antonio (No. 4), the UT Health Science Center at Houston Medical School (No. 5) and the School of Medicine at UT Medical Branch in Galveston (No. 7).

UT Southwestern has a total medical school enrollment of more than 900 students. Of those, nearly 125 are Hispanic. In 2007, UT Southwestern conferred 226 degrees. Hispanics earned about 20 percent of those.

To read the complete listing, visit www.hispanicbusiness.com/rankings.

(Karen Hudgins)

Dell Gets Nod from Working Moms

Working Mother magazine has named Dell to its annual list of 100 Best Companies for working mothers. The list features companies that have a broad range of family-friendly programs and promote work-life balance.



"The *Working Mother* 100 Best Companies know that their investment pays for itself through employee loyalty and they realize that productivity depends as much on satisfied staffers as on smart processes," says Suzanne Riss, editor-in-chief of *Working Mother*.

Dell officials say the programs are meant to attract and retain the best employees.

"It's also about flexibility," says Bryant Hilton, a Dell spokesman. "We know our employees are committed to Dell, but they also have commitments outside of Dell. We want to make sure they have the flexibility to balance both of those."

According to the list of companies, 75 to 99 percent of Dell employees have access to flextime, telecommuting and job sharing options. The company also offers four weeks of paid leave to new moms.

To view the other 100 Best Companies, visit www.workingmother.com.

(Tracey Lamphere)





Dallas, Houston Top List of Retirement Spots

Dallas and Houston ranked as the nation's second and fourth most affordable places to retire, according to a ranking published in September by *Forbes*.

The ranking cited "a warm climate and growing economies" as making both cities great spots for retirees to live out their golden years.

The listing praised Dallas' robust economy, sunny weather, low taxes and Southern hospitality.

Forbes lauded Houston's affordable housing, bustling technology scene and

tax revenues from its oil and alternative energy industries.

Dallas and Houston earned praise for their employment options for retirees, with 20 percent of those 65 and over collecting a weekly paycheck.

Columbus, Ohio topped the list of the nation's most affordable places to retire.

In producing the list, *Forbes* ranked the 40 largest Census-defined metropolitan statistical areas and looked at cost of living factors such as housing affordability and inflationary pressures.

For more information and to view the complete list, please visit www.forbes.com.

(Karen Hudgins)

Houston Well Represented on Fortune's 100-Fastest Growing Companies List

Five Houston companies ranked within the top 10 on *Fortune* magazine's list of the 100 fastest-growing companies.

T-3 Energy Services ranked No. 2, followed by Allis-Chalmers Energy at No. 3, while DXP Enterprises came in at No. 5. National Oilwell Varco and Atwood Oceanics came in at No. 6 and No. 8, respectively.

The publication ranked companies based on revenue growth for the period ended June 30, 2008, among other factors.

To view the report, visit www.fortune.com.

(Michael Castellon)



Smoking Up Texas

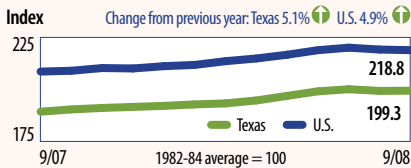
Barbecue is big business in Texas. We're home to some of the finest barbecue in the world. In fact, there are so many barbecue restaurants in Texas that it's difficult to know who has the best. We want to hear from you. Do you have a favorite smokehouse? Who has the best potato salad or cornbread? Let us know who it is, and why you think they're tops, and we may publish your comments online at www.fiscalnotes.com. Write us at fiscal.notes@cpa.state.tx.us.

Texas by the Numbers

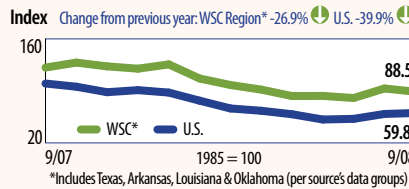
Key Texas Economic Indicators

Between September 2007 and September 2008, the U.S. economy shed about 519,000 jobs, while Texas gained almost 248,000 positions. Texas' nonfarm employment registered a stable 2.5 percent growth rate over the year, even as the nation's job losses reached their worst level since 2003. But the number of Texas jobs in September (10.6 million) was slightly lower than in August (by 4,000), the first monthly decline since early 2007. Over the last year, Texas added jobs in all major industries except information and manufacturing. Construction also registered job gains for the year, with nonresidential and highway construction making up for a decline in housing permits, but the industry lost about 2,000 jobs between August and September.

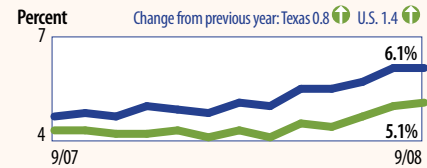
Consumer Price Index



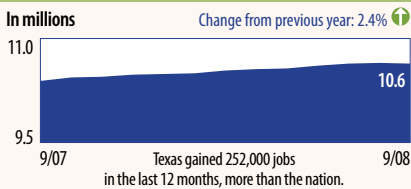
Consumer Confidence Index



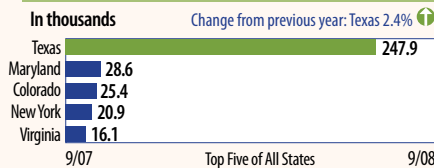
Unemployment Rate



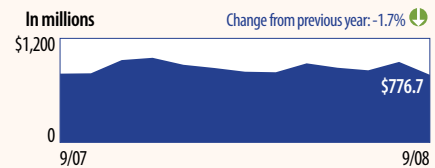
Nonfarm Employment



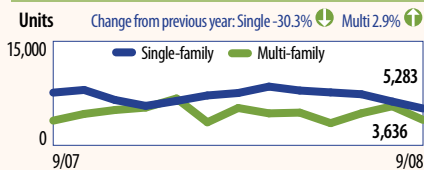
Change in Nonfarm Employment



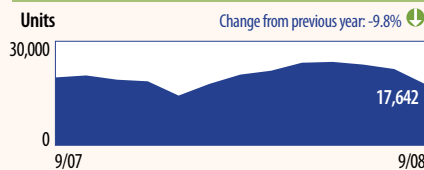
State Sales Tax Collections, Retail Establishments



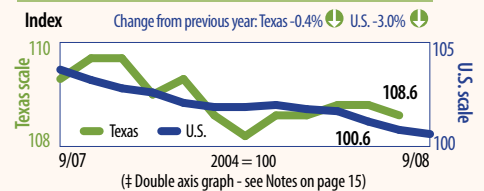
Housing Permits



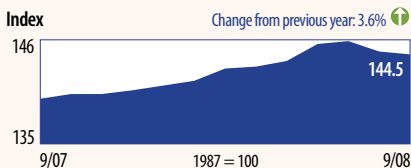
Existing Single-family Home Sales



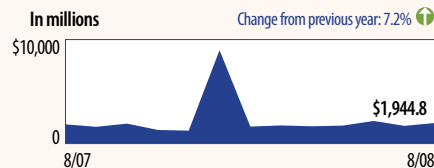
Leading Economic Indicators Index



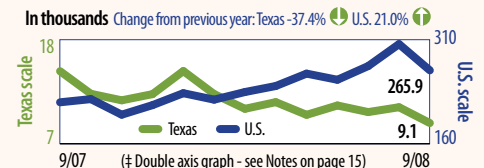
Industrial Production Index



Contract Value, Non-Residential Building Construction



Mortgage Foreclosures



Texas Production and Consumption Indicators

	Crude Oil Production	Natural Gas Production	Active Oil & Gas Drilling Rigs	Motor Fuels Taxed		Median Sale Price, Existing Single-family Home	Auto Sales	Cigarettes Taxed
	Value	Value	Units	Gasoline	Diesel	Dollars	Net Value	Packages of 20
Date	(Millions)	(Millions)		(Millions of Gallons)			(Millions)	(Millions)
2006	\$19,657.5	\$19,852.1	746	11,372.8	3,731.6	\$143,100	\$45,756.2	1,280.2
2007	20,893.0	24,201.1	834	11,624.8	3,886.9	147,500	48,500.6	1,085.8
Jul-07	\$1,769.9	\$2,055.0	831	978.2	326.3	\$152,200	\$4,368.3	96.2
Aug-07	1,790.1	1,925.8	844	974.3	320.5	152,700	4,383.8	151.3
Sep-07	1,948.8	1,834.9	837	1,021.1	360.6	146,900	4,294.2	29.3
Oct-07	1,958.8	2,191.0	842	939.6	315.9	143,500	4,303.5	96.1
Nov-07	2,311.3	2,279.3	860	1,025.7	371.5	144,900	3,678.9	92.8
Dec-07	2,225.6	2,431.5	884	965.8	342.4	147,600	3,828.5	88.2
Jan-08	2,332.2	2,578.6	858	985.8	313.7	138,900	4,034.0	76.7
Feb-08	2,270.8	2,667.3	866	954.2	343.2	142,800	3,840.8	80.2
Mar-08	2,528.4	3,218.3	881	940.6	324.1	147,000	3,940.0	79.1
Apr-08	2,651.1	3,359.4	887	1,010.4	281.1	147,000	3,957.8	90.5
May-08	2,961.9	4,054.9	906	975.8	343.1	150,800	3,791.7	98.3
Jun-08	3,001.5	4,232.0	923	1,018.3	331.5	155,100	4,051.0	89.6
Jul-08	3,084.1		920	954.0	321.3	153,300	4,148.3	93.3
Aug-08			934	982.3	342.5	151,700	3,829.4	80.9
Sept-08			946	1,054.7	248.6	145,800		88.9

September Cash Condition¹

(Amounts in millions)	General Revenue	Other Funds	Total Cash
Beginning Balance September 1, 2008	\$9,811.7	\$26,302.7	\$36,114.4
Revenue/Expenditures			
Revenue	5,295.8	1,292.8	6,588.6
Expenditures	10,404.6	2,074.7	12,479.3
Net Income (outgo)	\$-5,108.8	\$-781.9	\$-5,890.7
Net Interfund Transfers and Investment Transactions	\$5,897.6	\$-6,066.8	\$-169.2
Total Transactions	788.8	-6,848.7	-6,059.9
End Cash Balance September 30, 2008²	\$10,600.5	\$19,454.0	\$30,054.5

¹ Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

² The ending General Revenue Fund balance includes \$6.5 billion derived from the sale of cash management notes.

State Revenue/All Funds¹

(Amounts in millions)	Monthly Revenue September 2008	Fiscal Year-to-Date Sept. 2008 Revenue	% Change YTD/YTD
Tax Collections by Major Tax			
Sales Tax	\$1,687.5	\$1,687.5	3.7%
Oil Production Tax	143.4	143.4	84.4
Natural Gas Production Tax	326.2	326.2	80.3
Motor Fuel Taxes	255.5	255.5	-7.6
Motor Vehicle Sales Tax	260.8	260.8	-7.9
Franchise Tax	27.4	27.4	-2.3
Cigarette & Tobacco Taxes	132.7	132.7	191.1
Alcoholic Beverages Tax	61.6	61.6	-1.3
Insurance Companies Tax	13.7	13.7	-10.1
Utility Taxes ²	7.1	7.1	2037.0
Inheritance Tax	0.3	0.3	991.1
Hotel/Motel Tax	30.4	30.4	3.3
Other Taxes ³	10.6	10.6	58.2
Total Tax Collections	\$2,957.1	\$2,957.1	12.3%
Revenue by Receipt Type			
Tax Collections	\$2,957.1	\$2,957.1	12.3%
Federal Income	1,911.8	1,911.8	7.8
Interest and Investment Income	232.9	232.9	22.2
Licenses, fees, permits, fines,	537.2	537.2	2.3
Contributions to Employee Benefits	184.7	184.7	5.1
Sales of Goods and Services	35.0	35.0	-24.7
Land Income	125.7	125.7	40.2
Net Lottery Proceeds ⁴	107.2	107.2	-17.1
Other Revenue Sources	497.2	497.2	31.3
Total Net Revenue	\$6,588.7	\$6,588.7	8.9%

¹ Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Includes the utility, gas utility administration and public utility gross receipts taxes.

³ Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

⁴ Gross sales less retailer commissions and the smaller prizes paid by retailers.

Notes:

Crude oil and natural gas figures are net taxable values. Gasoline gallons include gasoline. Auto sale values are calculated from motor vehicle taxes collected on new and used vehicle sales. All figures are seasonally adjusted, except for sales tax collections; rigs; consumer price; housing permits/sales/prices; and consumer confidence. Figures are based on the most recent available data. Annual figures are for calendar years. [† Double axis graphs: Graphs with two vertical axes show values for Texas on the left and values for the U.S. on the right. This method shows trends more clearly over the last year when data values are substantially different at state and national levels.]

Sources:

Key Texas Economic Indicators:

Consumer Price Index, Change in Nonfarm Employment: U.S. Bureau of Labor Statistics

Consumer Confidence Index: The Conference Board

Leading Economic Indicators Index: Texas Comptroller of Public Accounts, The Conference Board

Unemployment Rate: Texas Workforce Commission, U.S. Bureau of Labor Statistics

Nonfarm Employment: Texas Workforce Commission

State Sales Tax Collections, Retail Establishments: Texas Comptroller of Public Accounts

Housing Permits, Existing Single-family Home Sales: The Real Estate Center at Texas A&M University

Industrial Production Index: Federal Reserve Bank of Dallas

Contract Value, Non-Residential Building Construction: McGraw-Hill

Mortgage Foreclosures: RealtyTrac

Texas Production and Consumption Indicators:

Crude Oil, Natural Gas, Motor Fuels, Auto Sales, Cigarettes: Texas Comptroller of Public Accounts

Active Oil & Gas Drilling Rigs: Baker-Hughes Incorporated

Median Sale Price, Existing Single-family Home: The Real Estate Center at Texas A&M University

State Expenditures/All Funds¹

(Amounts in millions)	Monthly Expenditures September 2008	Fiscal Year-to-Date Sept. 2008 Expenditures	% Change YTD/YTD
By Object			
Salaries and Wages	\$765.0	\$765.0	6.3%
Employee Benefits/Teacher Retirement Contribution	678.7	678.7	10.1
Supplies and Materials	99.6	99.6	20.9
Other Expenditures	244.6	244.6	5.2
Public Assistance Payments	3,041.7	3,041.7	23.4
Intergovernmental Payments:			
Foundation School Program Grants	5,941.9	5,941.9	4.7
Other Public Education Grants	6,166.5	224.6	-0.6
Grants to Higher Education	135.2	135.2	1.6
Other Grants	199.6	199.6	13.4
Travel	14.4	14.4	35.2
Professional Services and Fees	227.8	227.8	3.0
Payment of Interest/Debt Service	224.2	224.2	30.5
Highway Construction and Maintenance	391.1	391.1	-28.3
Capital Outlay	44.1	44.1	-10.0
Repairs and Maintenance	64.1	64.1	-6.1
Communications and Utilities	41.9	41.9	23.4
Rentals and Leases	35.6	35.6	21.8
Claims and Judgments	5.4	5.4	-78.9
Cost of Goods Sold	94.1	94.1	24.2
Printing and Reproduction	5.6	5.6	60.1
Total Net Expenditures	\$12,479.3	\$12,479.3	7.6%
By Function			
General Government			
Executive	\$471.0	\$471.0	7.6%
Legislative	11.5	11.5	-2.4
Judicial	24.9	24.9	12.2
Subtotal	507.3	507.3	7.6
Health and Human Services	2,925.1	2,925.1	22.1
Public Safety and Corrections	444.3	444.3	6.2
Transportation	584.0	584.0	-23.9
Natural Resources/Recreational Services	211.3	211.3	44.4
Education	6,833.1	6,833.1	3.9
Regulatory Agencies	41.7	41.7	69.0
Employee Benefits	611.1	611.1	11.5
Debt Service—Interest	224.2	224.4	30.5
Capital Outlay	44.1	44.1	-10.0
Lottery Winnings Paid ²	53.1	53.1	70.9
Total Net Expenditures	\$12,479.3	\$12,479.3	7.6%

¹ Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.



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FISCAL NOTES also provides a monthly summary of the financial statements for the State of Texas.

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Popular Cuisines

American themed restaurants, followed by Mexican restaurants, rang in the most sales in Texas in 2005.

Type of Cuisine	Sales 2005	Percent Change from 2004
American	\$3.8 billion	6.5%
Mexican	\$3.56 billion	8.0%
Pizza	\$1.8 billion	7.6%
Chicken	\$1.5 billion	10.7%
Seafood	\$1.17 billion	2.5%
Steakhouse	\$1.16 billion	5.9%
Deli	\$1.12 billion	10.1%
Asian	\$908 million	12.8%
Italian	\$780 million	9.4%
Barbecue	\$667 million	6.5%

Source: 2005 Texas Market Segmentation Report produced by the Texas Restaurant Association and The Virtue Group

Photo courtesy of Ninfa's on Navigation

FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts

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